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Correspondence Memorandum

Date: May 28, 2024
To: Audit Committee
From: Yikchau Sze, Director
 Office of Internal Audit (OIA)
Subject: FY24 – FY25 Biennial Audit Plan Update

Staff recommends that the Audit Committee (Committee) approve the recommended changes to the FY25 planned engagements in the FY24 – FY25 Biennial Audit Plan.

OIA developed the FY24 – FY25 Biennial Audit Plan based on risk assessment conducted at the end of FY23, with consideration of prior audit coverage, known agency priorities, and estimated available resources. The FY24 – FY25 Biennial Audit Plan was approved by the Committee at the June 2023 Committee meeting. As stated in the Executive Summary session of the audit plan:

The audit plan is a dynamic document that changes during the planning cycle in response to the changes in business risks, timing of ETF initiatives, and resource availability. Any significant deviation from the approved plan will be communicated to the Audit Committee of the ETF Board through quarterly activity reports. An annual status update of the Plan will be provided to the Audit Committee prior to each fiscal year end.

The Committee is required by its Charter to:

Review and approve the biennial audit plan and all major changes to the plan.

This memo discusses status of FY24 planned engagements and recommends changes to the FY25 audit plan. As detailed by the table¹ in Attachment A, of the 12 engagements planned for FY24, seven were completed, and two are on target to complete by June 30, 2024; of the 11 engagements planned for FY25, four are recommended to be postponed and five new engagements to be added. The modification is to align the FY24 – FY25 Biennial Audit Plan with timing of major ETF

¹ The sequence of items in the table follows the same sequence of the Engagement Description Table in the FY24 - FY25 Biennial Audit Plan.

Board	Mtg Date	Item #
AUD	06.20.24	4A

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initiatives and respond to emerging risks, with consideration of OIA available resources (see Attachment B for OIA FY25 Budget).

Also included in the memo is the quarterly Open Audit Issues Report for the period from March 2 through May 28 (see Attachment C).

Staff will be at the Committee meeting to answer any questions.

Attachment A: Detailed audit plan status, including cancelled, postponed, and new engagements proposed for FY25

Attachment B: OIA FY25 Budget

Attachment C: [Open Audit Issues Report Summary Memo](#)

Attachment A: Detailed audit plan status, including cancelled, postponed, and new engagements proposed for FY25

Title	Description	Timing	Status	Hours: Estimate	Hours: Actual	Comments
Duty Disability Benefits Audit	Conduct an audit on the Duty Disability Benefits program to ensure the design and operating effectiveness of internal controls	FY24	Completed	320	384	
IAS Employer Compliance Audits	Determine the extent to which WRS participating employers submit correct and accurate information to the Insurance Administration System (IAS) for processing	FY25	Postponed	960	-	To be performed after the IAS implementation
Benefit Calculation and Distribution	Periodic sample testing of data and transactions to gain additional assurance on calculation and distribution of WRS benefits	FY24	Completed	200	424	FY24 significant actual hours due to cross training and using ACL (the data analytics tool) by the crossed trained staff for the first time
		FY25	-	200		
IAS Implementation Readiness Review	Consult on the organizational readiness for the IAS implementation, including but not limited to, proper definition of roles and responsibilities, updates to position descriptions and procedures, action plan for prioritized issues	FY24	Cancelled	360	-	Will be addressed as part of the new OIA IAS review project
OIA Data Analytics Project	Improving skills and developing continuously monitoring activities	FY24	On-going	1,100	735	Project is on track as planned
		FY25		1,100	-	

Title	Description	Timing	Status	Hours: Estimate	Hours: Actual	Comments
TPA Contract Compliance Audits	Perform contract compliance audit on benefit programs administered by the TPAs, including:					
	Pre-tax savings account programs	FY25		600		
	Income Continuation Insurance	FY25		500		
	Wellness and Disease Management	FY25		520		
	Wisconsin Deferred Compensation	FY24	Completed	400	433	
SOC 1 Reporting & TPA Contract Compliance Audit Oversight	Facilitate the review of service organization control reports and oversee TPA contract compliance audits performed by independent auditors	FY24	Completed	70	74	
		FY25	-	70	-	
Performance Standards Design	Evaluate the design of performance measures and reporting standards in the health and other supplemental benefit plan contracts for the alignment of desired outcomes	FY24	In-progress	280		On track to complete by the end of FY24
Performance Standards Reporting	Assess performance standards reports submitted by health plans for adequate support and proper computation	FY24	Completed	280	323	
IAS Post Implementation Validation	Evaluation of the implementation of key business processes to ensure outcome are delivered as expected	FY25	Postponed	400	-	To be performed after the IAS implementation

Title	Description	Timing	Status	Hours: Estimate	Hours: Actual	Comments
GASB 96	Consult on the implementation plan and review the reporting of GASB Standards for the Subscription-Based Information Technology Arrangements	FY24	In-progress	60		On track to complete by the end of FY24
Project Scoping and handoff	Review project scoping and handoff to assess the extent to which the project objectives are achieved, and the outcomes are maintained	FY24	Cancelled	400	-	Objectives can be partially achieved by the new OIA IAS review project
Data Lake and Reporting	Review data lake and its reporting function for integrity, quality, and security	FY25	Postponed	320	-	To be performed after the IAS implementation
SOC2 Reporting	Evaluate the review and monitoring process for SOC2 reporting to ensure adequate internal controls	FY24	Completed	320	309	
System Development Life Cycle Management	Evaluate whether the SDLC methodology is followed, and sound project management and change management disciplines are utilized	FY25	Postponed	TBD		IT outsource audit; business area resource constraints; to be performed after the IAS implementation
System Integration Review	Evaluate the process and controls with regard to the data transmissions through integrated ETF internal IT systems for the completeness, accuracy, and security	FY24	Postponed	TBD		IT outsource audit; business area resource constraints; to be performed after the IAS implementation

Title	Description	Timing	Status	Hours: Estimate	Hours: Actual	Comments
Penetration Testing and Vulnerability Assessment	Identify security vulnerabilities in ETF's systems and applications through penetration test to ensure a reasonable protection against malicious attacks	FY25	As planned	TBD		IT outsource audit
Follow-up Audit	Conduct follow-up audits to ensure the completion of corrective actions of audit findings	FY24	Completed	120	9	Focused on significance rating => Medium; reduced hours for the FY25 budget
		FY25	-	120		
IAS Program Review Project	Conduct independent oversight to provide feedback on IAS program management and to verify key program outcomes are achieved.	FY24 & FY25	New	1,100	N/A	Consulting project with varying levels of audit testing
Fraud Response Plan Review	Review the Fraud Response Plan for any necessary updates to improve the process	FY25	New	200	N/A	To assist management with its improvement effort
Data Conversion Audit	Determine the completeness and accuracy of the data conversion for the IAS implementation	FY25	New	550	N/A	To provide assurance on data being converted from legacy systems to the new systems
Contractor Usage Review	Evaluate contractor selection and oversight process to ensure the effective resource usage	FY25	New	360	N/A	To provide assurance on contractor management process
Onboarding and Offboarding Process Assessment	Assess the new hires onboarding process and identify vulnerabilities, and reviewing the offboarding process for appropriate access removal	FY25	New	TBD	N/A	IT outsource audit

Attachment B: OIA FY25 Budget

	Director	Staff Total	Team Total	
Total Hours	2,080	7,240	9,320	100%
Less		-		
Meetings	120	220	340	
General Administration	80	140	220	
Training	60	160	220	
Holidays and Personal Vacation and Sick Leave	108	324	432	
	<u>200</u>	<u>600</u>	<u>800</u>	
	568	1,444	2,012	22%
Internal Audit Activities				
<i>Audit Manual and Charter Update</i>	40	80	120	
<i>Audit Planning</i>	280	-	280	
<i>Data Analytics Project</i>	40	1,330	1,370	
<i>Fraud Program Monitoring</i>	20	20	40	
<i>IT Audits RFPs</i>	260	-	260	
<i>TeamMate+ Functionality Buildout</i>	<u>20</u>	<u>50</u>	<u>70</u>	
	660	1,480	2,140	23%
Total Available Project Hours for Audit Plan Completion	852	4,316	5,168	55%

Available Project Hours - Audit Plan Allocation				
Planned Projects	810	4,050	4,860	94%
Contingent Projects	<u>42</u>	<u>266</u>	<u>308</u>	6%
	852	4,316	5,168	